

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN ADJUSTMENT OF RATES OF THE)
AUXIER WATER COMPANY, INC.) CASE NO. 9308

O R D E R

IT IS ORDERED that Auxier Water Company, Inc., ("Auxier Water") shall file an original and ten copies of the following information with the Commission with a copy to all parties of record within 20 days from the date of this Order. Auxier Water shall also furnish with each response the name of the witness who will be available at the public hearing for responding to questions concerning each area of information requested. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

It is the practice of this Commission to allow only known and measurable increases to actual test year expenses which can be substantiated by appropriate documentation (invoices and/or other related material) supporting increases to the actual expense. The Commission issued an information Order directed to Auxier Water on April 29, 1985 and Auxier Water filed its response on May 20, 1985. The Commission, after reviewing the information submitted by Auxier Water and also the amendment to the application, is of the opinion that further documentation is needed on certain issues before they can be considered for rate-making purposes.

1. Auxier Water's response to item 3 shows check number 1662 dated 11/19/84 payable to the Kentucky State Treasurer (PSC 83-84) in the amount of \$357.08. Does this payment represent the public service company tax payable to the Department of Revenue? Furthermore, the following checks represent payment for expense items prior to the test year and should not be included in test year expense:

Check number	1309	dated	2/21/84	in the amount of \$	8.00
"	"	1342	"	3/12/84	" " " " 79.04
"	"	1343	"	3/12/84	" " " " 108.12
"	"	1427	"	5/18/84	" " " " 5.00
Total					<u>\$200.16</u>

The Commission's finding concerning the above mentioned checks is found on page 22 of Auxier Water's 1984 Annual Report where they are shown as payment to the Kentucky State Treasurer-Prior Year Tax Assessment. Do you agree to the above findings?

2. On page 1 of the check register, it shows payments made to Blue Cross of \$3,633 during the test year. Provide the names of the employees covered under this medical plan.

3. In the second paragraph of this request for information as well as the first information Order to Auxier Water, the Commission states that appropriate documentation such as copies of invoices and/or other detailed information which would indicate the nature of the expenditure is required before it can be considered for rate-making purposes. Provide the required information with regard to the following checks as shown in the check register: (Special attention should be given to petty cash

and journal entries: Many items may be repetitive, but a full description is necessary for each item.)

Meter Expenses:

Check number	1281	dated	1/27/84	to	Petty Cash	\$	71.21
"	"	1292	" 2/06/84	"	Hanco		255.63
"	"	1384	" 4/19/84	"	Water Works		176.55
"	"	1385	" 4/19/84	"	Hanco		152.32
"	"	1420	" 5/18/84	"	Hanco		124.53
"	"	1461	" 6/18/84	"	Hanco		118.64
"	"	1677	" 11/23/84	"	Hanco		139.64
"	"	1684	" 11/26/84	"	Petty Cash		100.00
"	"	1714	" 12/14/84	"	Hanco		92.00
J/E 8	3/31/84	March 84	Special Account				215.36

Transportation Expense:

Check number	1293	dated	6/06/84	to	Cox Motor	\$	202.67
"	"	1302	" 2/14/84	"	Petty Cash		68.83
"	"	1314	" 2/22/84	"	Davis Produce		284.79
"	"	1381	" 4/19/84	"	Clem Stambaugh		126.83
"	"	1382	" 4/19/84	"	Davis Produce		343.63
"	"	1418	" 5/18/84	"	"		126.91
"	"	1457	" 6/18/84	"	Clem Stambaugh		165.56
"	"	1536	" 8/07/84	"	Ashland Pet		319.39
"	"	1543	" 8/07/84	"	Clem Stambaugh		175.60
"	"	1561	" 8/23/84	"	Ashland Pet		563.89
"	"	1562	" 8/23/84	"	"		244.50
"	"	1564	" 8/23/84	"	Davis Produce		134.10
"	"	1623	" 10/15/84	"	Ashland Pet		145.74
"	"	1644	" 11/01/84	"	Clem Stambaugh		93.92
"	"	1671	" 11/23/84	"	Davis Produce		512.53
"	"	1672	" 11/23/84	"	Ashland Pet		157.01
"	"	1673	" 11/23/84	"	Clem Stambaugh		186.52
"	"	1703	" 12/14/84	"	Ashland Pet		71.38
"	"	1706	" 12/14/84	"	Clem Stambaugh		90.46

Repairs and Maintenance:

Check number	1358	dated	3/23/84	to	Morace Scott		85.00
"	"	1454	" 6/18/84	"	Landon Tackett		229.79
"	"	1455	" 6/18/84	"	Highland Tire		426.30
"	"	1465	" 6/20/84	"	Petty Cash		100.00
"	"	1470	" 6/25/84	"	Petty Cash		100.00
"	"	1485	" 7/11/84	"	Patco Inc.		317.91
"	"	1664	" 11/21/84	"	Browns Auto		194.30
"	"	1676	" 11/23/84	"	Cox Auto Parts		149.77
"	"	1688	" 11/29/84	"	Adams Constr		85.89
"	"	1704	" 12/14/84	"	Cox Auto Parts		87.75
June Special Account-Air Comp.							764.94
July special Account-Backhoe							547.08

4. Page 3 of the check register of Auxier Water indicates that during the test year attorney fees of \$625 and accounting fees of \$2,525 were charged to Outside Services Employed. Were any of these payments attributed to the present rate case? If so, how much? If not, provide a description of the expenditures.

5. Exhibit number 7, item number 3 of the amended application indicates that Transmission and Distribution Mains has been reduced by \$11,795 (The net depreciation value of the river crossing as shown on Exhibit number 6). The river crossings were originally capitalized and charged to Plant in Service at \$13,400. Retirement accounting procedures as prescribed by the Uniform System of Accounts for Water Utilities requires that the gross amount, \$13,400 be removed from Plant in Service. Provide the adjusted depreciation allowance based on a further reduction of Transmission and Distribution Mains by \$1,605.

Furthermore, the Commission notes that Auxier's last rate order in Case No. 9015 dated July 13, 1984, erroneously stated the expected life of meters to be 5 years. Our computation would indicate that depreciation expense for meters was determined using a 10 year life expectancy in that Order and not the 5 years as stated ($\$41,979 \div 10 = \$4,198$). Please review and adjust the pro forma depreciation allowance to reflect a life expectancy for meters of 10 years.

6. The Commission has made a comparative analysis of the debt cost related to Auxier Water's issuance of notes as shown on Exhibit 7 of the original application and Exhibit 9 of the amended

application. Provide the following information explaining these differences:

a. Provide the need for the additional debt to H20, Inc., of \$22,240, River Plains Construction Company of \$9,450, First Commonwealth Bank of \$1,766 and the SBA of \$10,000 and the related increase in interest expense of \$2,719.

b. Provide a copy of all notes which should provide the principal amount of the note, the interest rate and the period of the note. Furthermore state the purpose of the additional indebtedness.

7. Provide the following information concerning total rate case expense of \$11,500 for engineering, legal and accounting services.

a. Hourly rate for engineering, legal and accounting services.

b. A detailed analysis showing the actual specific hours spent by the engineer, attorney and accountant, to date, pursuant to each duty performed and the total charge for each segment of the preparation of the rate case, and a detailed estimate of additional time to be spent on the case related to total rate case expense of \$11,500.

Done at Frankfort, Kentucky, this 2nd day of July, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Hemmick
For the Commission

ATTEST:

Secretary